



County of Los Angeles **CHIEF ADMINISTRATIVE OFFICE**

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DAVID E. JANSSEN
Chief Administrative Officer

Board of Supervisors
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First District

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Second District

ZEV YAROSLAVSKY
Third District

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Fifth District

September 8, 2005

To: Supervisor Gloria Molina, Chair
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

CONTRACTOR MERGERS/TAKEOVERS – STATUS REPORT

On July 19, 2005, your Board directed this Office, County Counsel, and the Chief Information Officer (CIO) to report back within 60 days with a policy for evaluating companies that are in the process of bidding and negotiating an Information Technology (IT) contract, which are being merged with or acquired by another firm.

While such considerations most often involve IT contracts, we believe a County policy addressing these situations should apply equally to any type of contractor. It should also apply to contracts at the bidding/negotiation stage, as well as contracts that are in force. Accordingly, staff from this Office is working with County Counsel and the CIO, as well as the Internal Services Department, to develop a proposed policy to address these issues, in response to your Board order.

By late October, we will return to your Board with a proposed Board policy for evaluating companies that are engaged in mergers or acquisitions, and are in the process of bidding or negotiating County contracts or that currently contract with the County. The policy will include required standard contract language addressing the assignment of County contracts and a requirement for notice of pending acquisitions and mergers in solicitation documents. These provisions will establish a contractor's responsibility to notify the County when assignments and delegations of contract responsibilities occur. In conjunction with the policy, we will develop guidelines and criteria for departments to

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use in evaluating such situations. Criteria to evaluate the impact of a merger or acquisition, which may be included in determining if a department recommends continuing to contract with a company, are the following:

- Financial Capability and Fiscal Accountability
- Organizational Background and Experience
- Personnel Assigned to County Contract
- Survivability of Product
- Contractor Desirability

If you have questions, please contact me, or your staff may contact Martin Zimmerman of my office at (213) 974-1326.

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c: County Counsel
Chief Information Officer
Director of Internal Services